

SENATE BILL REPORT

SB 6656

As Reported By Senate Committee On:
Ways & Means, March 7, 1996

Title: An act relating to sales and use tax exemptions for manufacturing machinery and equipment.

Brief Description: Providing sales and use tax exemptions for manufacturing machinery and equipment.

Sponsors: Senators Bauer, Cantu, Sutherland, Moyer, Owen, Hale, Hargrove, Schow, Heavey, Wood, Rasmussen, Strannigan, Sheldon, Finkbeiner, Franklin, Johnson, Snyder, West, Winsley, Zarelli, Long, Deccio, Oke, Spanel and A. Anderson.

Brief History:

Committee Activity: Ways & Means: 2/2/96, 3/7/96 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6656 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Cantu, Drew, Finkbeiner, Fraser, Hargrove, Hochstatter, Johnson, Kohl, Long, McDonald, Moyer, Quigley, Roach, Sheldon, Snyder, Spanel, Strannigan, Sutherland, West, Winsley and Wojahn.

Staff: David Schumacher (786-7715)

Background: The sales tax is imposed on each retail sale of most articles of tangible personal property and certain services. Taxable services include construction, repair, telephone, lodging of less than 30 days, physical fitness, and some recreation and amusement services. Materials and labor used to alter or improve real or personal property are subject to the tax. Exempt from tax are purchases for resale and purchases of components and ingredients that become part of another product for sale.

SB 5201, passed in the 1995 session, exempts from sales and use taxes, new and replacement machinery and equipment used directly in the manufacturing process, including installation labor. Replacement parts are exempt only if they improve efficiency, increase productivity or extend the useful life of the equipment.

Summary of Substitute Bill: The replacement parts and costs of repairing and/or cleaning equipment used in the manufacturing process is exempt from sales tax and use tax. The requirement to improve efficiency, increase productivity or extend the useful life of the equipment is no longer necessary.

Substitute Bill Compared to Original Bill: The effective date is changed from July 1, 1996 to January 1, 1997.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect January 1, 1997.